

Inside

Intended Use Plan

Section 1: Lending Capacity

Section 2: Funding Sources and Uses

Section 3: Goals

Section 4: Method and Criteria for Distributing Arizona's DWRF

Section 5: Public Review and Comment

Section 6: Assurances

EXECUTIVE SUMMARY

The Water Infrastructure Finance Authority of Arizona (WIFA) Board of Directors is pleased to release **Arizona's Drinking Water Revolving Fund (DWRF) Intended Use Plan (IUP) for the 2007 funding cycle.** The DWRF IUP describes WIFA's plan to utilize various sources of funds to finance drinking water infrastructure and support related program activities during the 2007 funding cycle from January 1, 2007 through December 31, 2007.

Included as *Exhibit A* of the DWRF IUP is the **2007 Funding Cycle Priority List (PL).** The PL shows communities and water systems seeking financial assistance from Arizona's DWRF. At the release of this report, communities and water systems throughout Arizona submitted **46 applications requesting \$189,896,109 in financial assistance**.

From January 1, 2007 through December 31, 2007, the WIFA Board of Directors will use the PL as a guide to allocate financial assistance from Arizona's DWRF to communities and water systems listed on the PL. Each board meeting, the WIFA Board of Directors may revise the PL and modify the fundable range for construction based on project readiness to proceed and other new information. WIFA staff will post the revised PL on the WIFA Web site (www.azwifa.gov).

Overall, the financial assistance and related program activities supported by Arizona's DWRF share the same objectives: **protect public health, ensure safe and sustainable drinking water, and guarantee the affordability of basic water infrastructure.** Arizona's DWRF also support the national program goal of Clean and Safe Water and the national program objective to protect public health and assist water systems in providing water safe to drink (EPA IFMS PRC: 201B81E).

SECTION 1: LENDING CAPACITY

During the 2007 funding cycle, Arizona's DWRF lending capacity will depend on the:

- 1. Amount of state contributions to Arizona's DWRF;
- 2. Amount of federal contributions to Arizona's DWRF;
- 3. Financing structure needs of water systems;
- 4. Interest rate on the DWRF financial assistance; and,
- 5. Availability of other state funds to support financial assistance activity.
- 6. Amount of leveraged bond capacity.
- 7. Leveraging capacity of fund.

Arizona's DWRF supports the national program objective to protect public health and assist water systems in providing water safe to drink (EPA IFMS PRC: 201B81E).

SECTION 2: FUNDING SOURCES AND USES

Arizona's DWRF is capitalized by state contributions and by contributions appropriated by the United States Congress. Once capitalized, Arizona's DWRF provides, in perpetuity, financial assistance to drinking water systems throughout Arizona.

Through active portfolio and financial management, WIFA's lending capacity could be increased during the funding cycle by leveraging the revolving fund and by issuing water quality bonds.

During the 2007 funding cycle, Arizona's DWRF will rely on the funding outlined in Table 1 to provide financial assistance to communities, support WIFA's operations, and support related program activities administered by WIFA and/or the Arizona Department of Environmental Quality (ADEQ). Each of the intended uses of funding is more fully described on the next page.

Table 1: Arizona DWRF Sources & Uses for 2007 Funding Cycle										
	Federal Contributions		State Contributions*			WIFA Revenue		WIFA** Loan Accounts		Total
Funding Sources										
Financial Assistance Funds			\$	5,974,750	\$	477,000	\$	63,000,000	\$	69,451,750
2007 Federal Funds	\$	23,358,750					\$	-	\$	23,358,750
Total Funding Sources	\$	23,358,750	\$	5,974,750	\$	477,000	\$	63,000,000	\$	92,810,500
Funding Uses										
Financial Assistance Loans	\$	20,096,550	\$	4,671,750			\$	63,000,000	\$	87,768,300
Public Water System Supervision	\$	1,303,000	\$	1,303,000	\$	477,000	\$	-	\$	3,083,000
Local Assistance										
Wellhead Protection	\$	375,000							\$	375,000
Capacity Development	\$	150,000							\$	150,000
Technical Assistance	\$	500,000							\$	500,000
Administration	\$	934,200	\$	-			\$	-	\$	934,200
Total Funding Uses	\$	23,358,750	\$	5,974,750	\$	477,000	\$	63,000,000	\$	92,810,500

^{*} State match can be tither WIFA bonds and/or state general fund and/or fee monies, PWSS match provided by ADEQ.

The sources and uses for the 2007 funding cycle shown in Table 1 are based on the FY 2007 federal budget and WIFA's funding plan as of April 2007. The 2007 DWRF federal budget allocation is \$837,495,000 million of which Arizona receives 2.84%.

Financial Assistance for Loans: \$87,768,300

WIFA will provide cash funded loans for financial assistance.

Public Water System Supervision (PWSS): \$1,303,000

State and Federal Statutes allows setting aside up to 10% of the Federal funds for the Public Water System Supervision (PWSS) activities. During State FY 2007, Arizona will set-aside only 5.6% (\$1,303,000) for the PWSS program. The PWSS program will also receive \$477,000 from fees and \$1,303,000 for ADEQ match. ADEQ will use this funding for the PWSS Program, which encompasses all of the various activities involved in implementing the Safe Drinking Water Act requirements in Arizona. These activities include operator certification, source water assessment and protection, development of regulatory guidance and assistance documents, assisting systems in obtaining the technical, financial, and managerial capability to comply with drinking water regulations, and technical consultations on water system and treatment system design. For more information please contact Tony Bode at (602) 771-4648.

Administration: \$934,200 – During state FY 2007, WIFA will use the funding to administer Arizona's DWRF and assist drinking water systems to conceive, develop, expedite, construct, and finance technically sound and sustainable water infrastructure.

Local Assistance: \$1,025,000

State and Federal Statutes allows setting aside 15% of the Federal funds to provide Local Assistance to water systems in Arizona. During State Fiscal Year 2007, Arizona will set aside on 4.4% (1,025,000) for local assistance.

^{**} During the funding cycle, WIFA may sell water quality revenue bonds of which the proceeds will used increase WIFA's lending capacity
This table represents WIFA funding plan as of April 2007.

\$375,000 will be used by ADEQ for Wellhead Protection activities to protect underground sources of drinking water. For more information contact Drinking Water Monitoring and Protection Unit: Donna Calderon, Unit Manager Phone: (602) 771-4641.

\$650,000 will be used for Technical Assistance. ADEQ (150,000) and WIFA (500,000) will share there funds to provide assistance to water systems in three (2) categories:

- Project Technical Assistance WIFA will assist an individual drinking water or wastewater system to conceive, plan, design, and develop infrastructure.
- Operational Technical Assistance The Arizona Department of Environmental Quality will assist individual drinking water and wastewater systems to improve day-to-day operations.

Technical Assistance Intended Use Plan – Two Fundable Ranges

There are two annual fundable ranges for technical assistance awards, referred to in Phase I and Phase II of the funding cycle. The Board shall approve a Technical Assistance Intended Use Plan (TA IUP) for the Phase I awards at the June board meeting, at which time the Board may reserve a portion of the annual Technical Assistance funding for the Phase II awards. The Board shall approve a revised TA IUP for the Phase II awards at the December board meeting. The TA IUP shall include:

- A description of the types of technical assistance the Board expects to fund.
- A summary of the sources and uses of funds by type of technical assistance.
- A Drinking Water Project Technical Assistance Priority List for Phase I and Phase II awards.
- A Wastewater Project Technical Assistance Priority List for Phase I and Phase II awards.

Technical Assistance Funding – Annual Cycle

Phase	Applications Due	TA IUP Approved	Grants Awarded
Phase I	Mid April	June Board Meeting	July I
Phase II	Mid October	December Board	January I
		Meeting	

Please visit WIFA's Web site (<u>www.azwifa.gov</u>) for more information about WIFA's technical assistance programs.

SECTION 3: GOALS

WIFA adopts an annual strategic plan listing goals, ongoing objectives, and annual objectives. The goals listed below are taken directly from the WIFA 2006-2007 Strategic Plan. For additional detail on goals, ongoing objectives, and annual objectives, request a copy of the WIFA 2006-2007 Strategic Plan from WIFA's Communications Director, (602) 364-1314.

- **Goal 1:** Award WIFA's resources in accordance with the needs of Arizona's citizens.
- **Goal 2:** Maintain the fiscal integrity of WIFA's funds and assure continuous enhancement for future generations.
- Goal 3: Facilitate access to and efficiently deliver financial and technical assistance.
- **Goal 4:** Coordinate with other funding sources, technical resources, and regulatory authorities, and private sector legal and financial counterparts.
- **Goal 5:** Actively pursue leadership in infrastructure finance.
- **Goal 6:** Efficiently administer WIFA within a positive work environment.
- **Goal 7:** Facilitate and encourage board of directors' involvement in WIFA.

SECTION 4: METHOD AND CRITERIA FOR DISTRIBUTING ARIZONA'S DWRF

Lending Capacity for 2007 Funding Cycle – If there are insufficient projects ready to proceed during the 2007 funding cycle, WIFA will apply funds to the fiscal year 2008 funding cycle project priority list. If additional funding becomes available during the fiscal year, WIFA will expand the fundable range of the 2007 funding cycle project priority list.

Each board meeting, the WIFA Board of Directors may update the DWRF PL, fundable range for design and fundable range for construction based on project readiness to proceed, refined project cost estimates, availability of other funding sources, and other new information affecting the expansion and contraction of the PL and fundable ranges. The WIFA Board of Directors will adopt the updated DWRF PL and fundable ranges at public meetings and will distribute the updates to all DWRF PL applicants and other interested parties.

Priority List, Exhibit A – On Wednesday, Oct. 25, 2006, WIFA staff convened a scoring committee including members from the Arizona Department of Environmental Quality, Arizona Small Utilities Association, Rural Community Assistance Corporation, Arizona Corporation Commission and U.S. Department of Agriculture Rural Development. The committee scored and ranked priority list applications submitted by communities pursuant to WIFA's DWRF award criteria. All eligible applications received appear on the 2007 funding cycle priority list.

Fundable Range for Design, Exhibit B – Includes the highest ranking applicants ready to receive design assistance during the funding cycle.

Fundable Range for Construction, Exhibit C – Includes the highest ranking applicants ready to receive construction assistance.

Market Loan Rate – The WIFA Board of Directors has established a target interest rate ranging between 70% and 95% of tax-exempt interest or prime rates. The WIFA Board of Directors will set interest rates/subsidies on individual loans pursuant to the:

- ✓ Priority of the project;
- ✓ Local fiscal capacity of the area served by the system requesting assistance; and,
- ✓ Lending capacity of Arizona's DWRF.

Local fiscal capacity will be measured by the area's median household income, user rates and charges, and the community's outstanding debt.

Binding Commitments – The WIFA Board of Directors will allocate financial assistance in accordance with DWRF funds available, the DWRF PL, financial assistance requested, community's financial capacity, and project readiness to proceed.

Once on the DWRF PL, an applicant will submit a project finance application to request financial assistance. WIFA staff will review the project finance application, analyze the applicant's legal, technical, managerial, and financial capability, and provide recommendations to the WIFA Board of Directors. The WIFA Board of Directors approves an applicant's financial assistance request, WIFA staff will prepare and circulate financial assistance documents to evidence the binding commitment in accordance with applicable federal requirements.

SECTION 5: PUBLIC REVIEW AND COMMENT

WIFA solicited public review and comment on the draft **2007 DWRF IUP and PL** according to the following schedule of activities:

May 10, 2007	Distribution and Web posting of the draft DWRF IUP and PL to all interested parties.
May 31, 2007	Public Hearing – 1110 West Washington, Room #130, Phoenix, Arizona 85007 at 1 p.m.
May 31, 2007	Deadline for public comments on the draft DWRF IUP and PPL, 2:00 p.m. May 31, 2007.
June 20, 2007	The WIFA Board of Directors adopts the final DWRF IUP and PPL.
June 20, 2007	Final DWRF IUP and PPL become effective. Distribution and Web posting of Final DWRF IUP and PPL.

SECTION 6: ASSURANCES

Files and Records Retention – WIFA will receive and review project documents from financial assistance applicants. These documents will be filed in official project files maintained by WIFA. The project files and other DWRF records will be made available in accordance with the Arizona public records law. It is expected that EPA will review the files on a sample basis in conjunction with on-site visits scheduled as part of WIFA's annual review or other monitoring of the state's management of DWRF funds.

WIFA will retain the official project files and other DWRF files in accordance with federal and state requirements.

Expeditious and Timely Expenditures – WIFA will expend DWRF funds in a timely and expeditious manner.

Environmental Review Requirements – In accordance with applicable federal requirements, WIFA will continue to conduct environmental reviews pursuant to applicable federal and state statutes and rules.

Exhibit A:

2007 Funding Cycle Priority List

Arizona's Drinking Water Revolving Fund 2007 Funding Cycle -- Priority List for Drinking Water Revolving Fund October 24, 2007

Rank	: Applicant	Population	Project Title	Project #	Amount Requested	Subsidy Rate Index
1	Town of Chino Valley	12,500	Chino Valley Water System Expansion Project	002 2007	\$ 6,750,000	70%
2	Antelope Peak DWID	220	Water Infrastructure Improvement	025 2007	\$ 976,000	70%
3	Picacho Peak Water Company	30	Nitrate Treatment	022 2007	\$ 150,000	75%
4	Maricopa Mountain Water Co. Inc.	600	Maricopa Mountain Arsenic Treatment System	023 2007	\$ 528,000	70%
5	Town of Gila Bend	1,980	Water System Improvements	028 2007	\$ 400,000	70%
6	Watco, Inc.	790	Silver Lake Estates and Bourdon Ranch Estates Storage and Tie Line	040 2007	\$ 600,000	70%
7	Yavapai-Apache Nation	2,000	Tunli and Clarkdale Drinking Water Infrastructure	030 2007	\$ 3,914,953	70%
8	Naco Water Company	1,284	Naco Water Co Phase II	004 2007	\$ 2,500,000	70%
9	Livco Water Co.	1,100	Old Concho/Livco Consolidation	015 2007	\$ 300,000	70%
10	Montezuma Rimrock Water Company LLC	450	Arsenic Facility Installation	054 2007	\$ 200,000	70%
11	Town of Chino Valley	12,500	Chino Valley Private Water Company Acquisitions	001 2007	\$ 6,000,000	70%
12	Metro Water District	45,000	Phase II of \$28,000,000 Capital Improvement Program	056 2007	\$ 12,625,000	70%
13	Ashcreek Water Company	260	Close Loop Project	034 2007	\$ 41,990	70%
14	City of El Mirage	30,000	Mandated Water System Improvements	050 2007	\$ 4,425,000	70%
15	Ashcreek Water Company	260	Water Storage	033 2007	\$ 10,240	70%
16	Ashcreek Water Company	260	Well Transmission Project	036 2007	\$ 21,400	70%
17	Ashcreek Water Company	260	Mohave Project	035 2007	\$ 25,450	70%
18	City of Douglas	19,500	City of Douglas, Arsenic Compliance Program	052 2007	\$ 1,500,000	70%
19	Rigby Water Company	775	Construct Replacement Well	045 2007	\$ 108,675	70%
20	Livco Water Co.	1,100	Upgrade/Replace Old Water Meters	017 2007	\$ 80,000	70%
21	Ashcreek Water Company	260	Transmission Improvement ProjectFlush Lines	032 2007	\$ 5,700	75%
22	Livco Water Co.	1,100	Well #4: Activate Well And Bring Into System	019 2007	\$ 80,000	70%
23	Rancho Del Conejo Community Water Co	942	Rancho Del Conejo - Arsenic Removal Project - Well #3	005 2007	\$ 200,000	70%
24	Town of Fredonia	1,110	Fredonia Culinary Water System Improvements Project	057 2007	\$ 563,000	75%
25	Livco Water Co.	1,100	Well #3 - Bring Well Into System	013 2007	\$ 40,000	75%
26	Livco Water Co.	1,100	Replace Asbestos Pipeline	016 2007	\$ 180,000	70%
27	Livco Water Co.	1,100	Increase Water Storage Capacity	014 2007	\$ 550,000	70%
28	Highland Pines DWID	1,000	Turkey Run Replacement Project/Storage Tank	031 2007	\$ 600,000	70%
29	City of Safford	16,401	Kempton to Carrsasco 24" Transmission Blend Pipeline	039 2007	\$ 1,200,000	70%
30	City of Safford	16,401	Ten Million Gallon Tank Rehab / Construct 4 MG Water Storage Tanks	038 2007	\$ 5,000,000	70%
31	Water Utilities Community Facilities Distr	12,908	WUCFD Surface Water Treatment Facility	048 2007	\$ 1,000,000	75%
32	City of Tucson	700,000	SAVSARP Raw Water Delivery System	010 2007	\$ 4,500,000	80%
33	Livco Water Co.	1,100	Well #1: Upgrade/Replace Well Casings	018 2007	\$ 40,000	75%
34	City of Tucson	700,000	So. Avra Valley Storage & Recharge Project (SAVSARP) Basins	011 2007	\$ 13,100,000	80%
35	City of Prescott, AZ	40,770	2007 CIP - Arsenic Treatment Plant Project	042 2007	\$ 6,000,000	80%

Arizona's Drinking Water Revolving Fund 2007 Funding Cycle -- Priority List for Drinking Water Revolving Fund October 24, 2007

					Amount	Subsidy
Rank	Applicant	Population	Project Title	Project #	Requested	Rate Index
36	Town of Star Valley	1,067	Water Utility Asset Acquisition	055 2007	\$ 765,000	75%
37	Town of Chino Valley	12,500	New Hia Water Transmission And Importation System	003 2007	\$ 15,000,000	75%
38	Water Utilities Community Facilities Distr	12,908	WUCFD Mesa Interconnect	047 2007	\$ 5,000,000	75%
39	Sonoita Valley Water Company	327	Sonoita Valley Water Company System Expansion	006 2007	\$ 629,000	80%
40	Town of Cave Creek	4,000	Acquisition Of Water Company; System Improvements	027 2007	\$ 6,700,000	85%
41	City of Show Low	5,760	Well 12 Redevelopment	020 2007	\$ 300,000	80%
42	City of Kingman	44,000	City wells 10 & 11 transmission mains	044 2007	\$ 10,000,000	80%
43	Eagar, Town of	4,435	Town of Eagar Water System Expansion 2007	058 2007	\$ 1,000,000	80%
44	Community Water Co. Of Green Valley	21,500	Design/Construction Of Arsenic Treatment Facilities	026 2007	\$ 2,100,000	85%
45	City of Somerton, AZ	9,750	Water Company Acquisition & Municipal System Improvements	049 2007	\$ 2,850,000	75%
46	Keaton Development Company	11,500	Water System Improvements-2007	046 2007	\$ 990,000	70%
47	Water Utilities Community Facilities Distr	12,908	Groundwater Monitoring	051 2007	\$ 500,000	75%
48	City of Prescott, AZ	40,770	2007 CIP Drinking Water System Improvement Projects	041 2007	\$ 16,167,000	80%
49	Town of Cave Creek	5,000	Acquisition of Cave Creek Water Company & Water System Improvements	037 2007	\$ 27,000,000	85%
50	Las Quintas Serenas Water Co.	4,000	Lqs Water Company Supplemental Financing	007 2007	\$ 400,714	85%
51	City of Tucson	700,000	New Well Equipping	008 2007	\$ 1,300,000	85%
52	City of Tucson	700,000	Drill Production Wells	009 2007	\$ 1,500,000	85%
53	City of Tucson	700,000	CAVSARP Booster Expansion, W571	012 2007	\$ 3,000,000	85%
54	Valley Utilities Water Company, Inc.	4,500	Replacement well for well #6	059 2007	\$ 250,000	80%
55	Lake Havasu City	10,305	Water Service Line Replacement / Waterline Replacement Improvements	021 2007	\$ 5,369,000	80%
56	Town of Queen Creek, Arizona	16,500	Water Company Acquisition	053 2007	\$ 36,000,000	85%
57	City of Peoria	142,880	36-in. Waterline - Lone Mtn. PkwyLake Pleasant Rd. to El Mirage	043 2007	\$ 4,367,987	85%
58	City of Peoria, AZ	112,000	Twin Buttes Water Treatment Plant	024 2007	\$ 40,000,000	85%
59	Green Valley Water Improvement. District	8,200	Storage Tank Rehab and New Pipelines	029 2007	\$ 1,170,000	80%

Exhibit B:

2007 Funding Cycle Fundable Range for Design

Arizona's Drinking Water Revolving Fund 2007 Funding Cycle -- Fundable Range for Design Financial Assistance October 24, 2007

Fundable	MPL			Amount	Subsidy
Range Rank	Rank Applicant	Project Title	Project #	Requested	Rate Index
1	5 Town of Gila Bend	Water System Improvements	028 2007	\$400,000	70%

Exhibit C:

2007 Funding Cycle Fundable Range for Construction

Arizona's Drinking Water Revolving Fund 2007 Funding Cycle -- Fundable Range for Construction Financial Assistance October 24, 2007

Fundable	MPL				Amount	Subsidy
Range Rank	Rank	Applicant	Project Title	Project #	Requested	Rate Index
1	1	Town of Chino Valley	Chino Valley Water System Expansion Project	002 2007	\$6,750,000	70%
2	12	Metro Water District	Phase II of \$28,000,000 Capital Improvement Program	056 2007	\$12,625,000	70%
3	7	Yavapai-Apache Nation	Tunli and Clarkdale Drinking Water Infrastructure	030 2007	\$3,914,953	70%
4	11	Town of Chino Valley	Chino Valley Private Water Company Acquisitions	001 2007	\$6,000,000	70%
5	13	Ashcreek Water Company	Close Loop Project	034 2007	\$41,990	70%
6	14	City of El Mirage	Mandated Water System Improvements	050 2007	\$4,425,000	70%
7	15	Ashcreek Water Company	Water Storage	033 2007	\$10,240	70%
8	16	Ashcreek Water Company	Well Transmission Project	036 2007	\$21,400	70%
9	17	Ashcreek Water Company	Mohave Project	035 2007	\$25,450	70%
10	21	Ashcreek Water Company	Transmission Improvement ProjectFlush Lines	032 2007	\$5,700	75%
11	32	City of Tucson	SAVSARP Raw Water Delivery System	010 2007	\$4,500,000	80%
12	34	City of Tucson	So. Avra Valley Storage & Recharge Project (SAVSARP) Basins	011 2007	\$13,100,000	80%
13	36	Town of Star Valley	Water Utility Asset Acquisition	055 2007	\$765,000	75%
14	40	Town of Cave Creek	Acquisition Of Water Company; System Improvements	027 2007	\$6,700,000	85%
15	44	Community Water Co. Of Green Valley	Design/Construction Of Arsenic Treatment Facilities	026 2007	\$2,100,000	85%
16	45	City of Somerton, AZ	Water Company Acquisition & Municipal System Improvements	049 2007	\$2,850,000	75%
17	47	Water Utilities Community Facilities District	(Groundwater Monitoring	051 2007	\$500,000	75%
18	57	City of Peoria	36-in. Waterline - Lone Mtn. PkwyLake Pleasant Rd. to El Mirage	043 2007	\$4,367,987	85%
19	50	Las Quintas Serenas Water Co.	Lqs Water Company Supplemental Financing	007 2007	\$400,714	85%
20	49	Town of Cave Creek	Acquisition of Cave Creek Water Company & Water System Improv	037 2007	\$27,000,000	85%
21	51	City of Tucson	New Well Equipping	008 2007	\$1,300,000	85%
22	52	City of Tucson	Drill Production Wells	009 2007	\$1,500,000	85%
23	53	City of Tucson	CAVSARP Booster Expansion, W571	012 2007	\$3,000,000	85%
24	55	Lake Havasu City	Water Service Line Replacement / Waterline Replacement Improver	021 2007	\$5,369,000	80%
25	58	City of Peoria, AZ	Twin Buttes Water Treatment Plant	024 2007	\$40,000,000	85%
26	59	Green Valley Water Improvement. District	Storage Tank Rehab and New Pipelines	029 2007	\$1,170,000	80%

Exhibit D:

Public Review and Comment Summary

Exhibit D 2007 Funding Cycle – Public Review and Comment; Technical Changes April 2007

SECTION 1: SUMMARY OF COMMENTS FROM PUBLIC HEARING AND PUBLIC MEETINGS

A public hearing will be conducted in Phoenix at 1110 W. Washington Street, Room 130 from 1:00 p.m. to 2:00 p.m. Thursday, May 31, 2007.

Members of the Public are invited.

Public comment will be conducted on May 10, 2007 thru May 31, 2007. The public review and written comment period is posted on the WIFA web site from May 10, 2007 thru May 31, 2007.

SECTION 2: SUMMARY OF CHANGES TO THE DRAFT DWRF INTENDED USE PLAN

SECTION 3: SUMMARY OF CHANGES TO THE DRAFT DWRF PRIORITY LIST